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Short communication

We Are Still In! Conference report from the 2018 Ceres Conference

Stefan Baumeister

School of Business and Economics, University of Jyväskylä, P.O. Box 35, 40014, Finland

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ABSTRACT

This is a report on the 2018 Ceres Conference that took place from April 24 to 26 at the Park Plaza Hotel in Boston, MA. The conference theme was "Scale Up!" while the discussion centered mainly around the "We Are Still In!" movement that has emerged after the pull-out of the Paris Climate Agreement by the Trump administration. The conference was mainly attended by institutional investors, company executives and capital market leaders as well as NGOs and academics. The conference consisted of four plenary and four panel sessions as well as various networking events.

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The conference was opened with a very enthusiastic speech by Mindy Lubber, CEO and President of Ceres. Mrs. Lubber assured the audience that "We Are Still In!" despite the move by the Trump administration to pull out of the Paris Climate Agreement. This movement has since gained significant momentum and might even be a starting point for real change. It is indeed the private sector who, together with green investors, has the power to drive the change. A lot has been done so far but it is still not enough. The stakes are too high and therefore we need to not only think big but also different. Finally, we should also listen more to the younger generation, as it is their future we are talking about.

The first plenary session focused on the future of the corporation under the theme of "acting today to protect tomorrow." Three different perspectives were presented by green investor David Blood, Nike's Vice President for Sustainable Business & Innovation Cyrus Wadia and Harvard Business School professor Rosabeth Moss Kanter. From Mr. Blood's perspective, sustainability can become the new source for long-term economic growth. However, many companies still question whether sustainability can be a driver for profitability. In his opinion, sustainability should drive a company's values and has to be more than just marketing. He also stressed the urgency with which we have to move to achieve the climate goals, with the next five years as critical. Nike's Mr. Wadia stressed the importance of sustainable brand change through innovation and the aim of lowering carbon emissions in the supply chain. Every new product needs to perform better than the previous one but at the same time produce fewer emissions and toxics and as well as use less water. He sees innovation as a fundamental element of growth: "double the business with half the impact." It is important not to wait for others to solve the problems but rather to be proactive. Finally, Harvard Business School professor Mrs. Moss Kanter sees an important role for collaboration. We can no longer operate in silos. Companies have to collaborate more with NGOs, listen more to their customers and be more inclusive by empowering new kinds of people to come up with solutions. We also have to listen more to the younger generations because they have totally different sets of values. Companies need to better understand the importance of values going forward.

In the first panel session the discussion centered around investor expectations for sustainable businesses. More and more investors agree that sustainability drives the long-term success of a company. Therefore, they want to see a clear business case on how a company's sustainability strategy delivers long-term business performance and how a company's business model drives sustainability. What percentage of a company's performance is based on sustainability? Therefore, how we measure sustainable performance in companies is key and a common understanding of that is required. It is still hard to measure the social and environmental engagement of companies compared to financial performance. Improved ratings and rankings would be helpful. For investors climate change means risk. Because of that, investors want to know how a company's management is responding to this risk. Managers need to demonstrate that they can effectively deal with this risk and that they have things under control. This should be shown through clear actions and not just exist on paper. Companies need

E-mail address: stefan.c.baumeister@jyu.fi.

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to demonstrate that they are on the right track and that their actions really change the world. If those impacts are not becoming visible, investors holding strong values might leave. Sustainability needs to be more deeply enrooted in companies. This requires, however, not only a stronger engagement of the company's leadership but also needs to become visible on all levels of the company.

The second plenary was a keynote by Mary Robinson, the former president of Ireland, with the title "Justice for the Planet and the People." In her speech, Mrs. Robinson emphasized that we need to respond to climate change much faster in order to reach the two-degree goal. Solutions should be carbon neutral but have also to be socially fair. Another major issue is climate justice. Those affected most by climate change are often the ones that live the least carbon intensive lives and are the ones who have the least power to affect changes. However, climate change could also be a great opportunity to bring more justice into this world. Businesses certainly have an important role to play in this. In addition, we are the first generation to fully understand climate change but also the last to be able to do something about it. Although things look bleak, we should not lose hope. Instead, we should remain prisoners of hope and keep doing whatever we can to prevent things from getting worse.

The second panel session focuses on investors driving global action on climate change through the Climate Action 100 + initiative. The Climate Action 100 + is a five-year investor initiative to engage with the world's largest corporate greenhouse gas emitters to curb emissions, strengthen climate-related financial disclosures and improve governance on climate change. The initiative is based on the fact that half of the worldwide greenhouse gas emissions stem from less than 100 companies. By investors opening the dialogue with those companies and showing that they care about climate change, these companies can be motivated to reduce their greenhouse gas emissions. This can also help those companies to stay attractive for investors in the long run. Because the initiative runs for five years, it also helps to focus more on long-term performance than short-term results. Furthermore, it is also one form of integrating climate change into the investment strategy as part of risk management. However, if companies do not engage in emissions reductions, there is always the opportunity for investors to threaten or punish the company with divestment. This, nevertheless, should remain a last resort because it would also entail the risk of losing influence.

The third plenary session was a keynote by Citigroup President James Forese with the title "Financing for Sustainable Growth." Mr. Forese first described the transition from just being a bank whose only aim was to increase shareholder revenues to being a bank that sees a clear need to engage as more and more shareholders are demanding so. However, while the transition to a more sustainable economy means major changes for some, it does not affect banks a lot. As one industry declines, another one will evolve and provide new business for banks. Although banks see no need to prevent these shifts, they certainly can play a role in the transition by for example providing less financing to unsustainable businesses. Furthermore, Mr. Forese also stressed the importance of companies joining the "We Are Still In!" movement, but added that if they do not make enough revenue companies cannot do good for the environment and society. Finally, he also emphasized the fact that the current generation has the power to make decisions for the future of coming generations. We need, therefore, more collaboration between the current and the new generation. They need to tell us what they want and how we should make decisions that will affect their future.

The third panel session discussed the implementation of climate disclosure and how investors and companies can better cooperate in this. The discussion mainly centered on the recommendations released by the Task Force on Climate-related Financial Disclosures (TCFD). Because it is difficult to rely on and trust estimated data only in order to make sound investment decisions, the need for companies to disclose more climate-related information is constantly growing. Currently, the problem is that investors do not know how to compare climate-related performances of companies. There is clearly a need for a standard and for consistence in metrics and targets. This could also help to overcome the language barrier that currently exists between investors and companies when it comes to communicating these issues, making the performance of companies more comparable. In addition, there should also be more standards for different sectors with clear goals set for each sector, as every sector has to play its role.

Finally, the fourth panel session dealt with the United Nation's Sustainable Development Goals (SDGs) and how to scale up and deepen the investor–company action through these goals. Besides providing solutions to some of the most pressing issues such as ending poverty, protecting the planet and ensuring prosperity, the SDGs also offer $12 trillion in market opportunities. However, the SDGs will require substantial investments from major business and mainstream institutional investors estimated at $93 trillion over the next decade. While not a cheap investment, SDGs will certainly bring more capital into markets and create new jobs. Each SDG was seen as equally important and understood as a risk and as an opportunity for companies. Engaging with SDGs can also help maintain a license to operate. A company's direct operations usually involve about five to six SDGs, but there might be many more along the supply chain. However, addressing all SDGs in the supply chain still seems difficult and most companies focus currently only on the most pressing ones. Finally, innovation and R&D are essential drivers for achieving SDGs.

The final plenary once again picked up the discussion on the "We Are Still In!" movement, sharing the latest facts. So far, the movement has grown to include more than 2600 signatories, including investors, companies, governors, mayors, tribes, faith groups and colleges and universities. More signatories were also collected during the conference. All these signers have indicated their commitment to do their part to reduce their own greenhouse gas emissions to a level needed to meet the U.S. goals under the Paris Climate Agreement. The latest developments show that more and more signers are setting even higher reduction goals, despite the inaction of the Trump administration.

In conclusion, the 2018 Ceres Conference showed that the U.S. is indeed "still in" and that major players from the private sector together with green investors are very much engaged with the climate goals set at the Paris Climate Agreement. However, the discussions also showed that more collaboration is needed between various stakeholder groups and between different generations in order to achieve this ambitious goal. Finally, it also became evident that now is the time to act in order to keep things in check and so we do not lose the battle against climate change.